

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 CU-04 CIAE-00 DODE-00 PM-07 H-03

INR-10 L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03

SS-20 USIA-15 ACDA-19 NEA-10 TRSE-00 SAJ-01 AGR-20

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FM USMISSION NATO

TO SECSTATE WASHDC 3113

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C O N F I D E N T I A L USNATO 5954

E.O. 11652: GDS, 12/31/79

TAGS: ECON, PFOR, NATO

SUBJ: ECONOMIC COMMITTEE MEETING DECEMBER 6

GENEVA FOR USDEL CSCE.

REF: A) STATE 238590 B) STATE 238380; C) USNATO 5914; D)
USNATO 5913

1. ECONADS' MEETING ON DECEMBER 6 DEVOTED ALMOST ENTIRELY TO
FUTURE WORK PROGRAM (SEPTTEL). THIS MESSAGE REPORTS OTHER ITEMS.

2. CSCE. MOST ECONADS ACCEPTED JANUARY 11 AS FIRM DATE FOR
MEETING IN ECONOMIC COMMITTEE OF ALLIED CSCE BASKET II REPS.
U.S. NOTED WE NOT YET ABLE GO BEYOND TENTATIVE ACCEPTANCE OF
JANUARY 11 DATE.

3. NATO COUNTRIES' TRADE WITH COMMUNIST COUNTRIES IN 1972
(AC/127-WP/367) ECONADS WERE PREPARED TO APPROVE THIS DOCUMENT
(U.S. PER REFTTEL A) BUT FINAL APPROVAL POSTPONED UNTIL DECEMBER 13
MEETING BECAUSE OF LATE DISTRIBUTION OF SECRETARIAT CORRIGENDUM,
WHOSE TEXT FOLLOWS AT END OF THIS MESSAGE.

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4. SWEDISH PROPOSAL ON MILITARY BUDGETS. THIS ITEM POSTPONED
UNTIL DECEMBER 13 DUE TO GENERAL LACK OF INSTRUCTIONS.

5. DECLASSIFICATION OF DOCUMENT ON SOVIET DEFENSE SPENDING,

C-M(73)101. WE PRESENTED CHANGES CONTAINED IN REFTEL B, WHICH INTERESTED DELEGATIONS WILL NOW CHECK OUT WITH CAPITALS.

6. ACTION REQUESTED: MISSION WOULD APPRECIATE FOR DECEMBER 13 ECONADS' MEETING: 1) AUTHORIZATION TO AGREE TO FIRM JANUARY 11 DATE FOR MEETING OF CSCE BASKET II REPS, AS REQUESTED IN REFTEL C, AND ALSO (IF AVAILABLE) NAMES OF U.S. REPS WHO WILL ATTEND; 2) COMMENTS IF ANY ON CORRIGENDUM TO AC/127-WP/367 ON TRADE WITH COMMUNIST COUNTRIES WHICH FOLLOWS BELOW; 3) COMMENTS ON SWEDISH PROPOSAL ON MILITARY BUDGETS, AS REQUESTED IN REFTEL D.

7. BEGIN TEXT:

ECONOMIC COMMITTEE

PAGE 1 - PREAMBLE:

PENULTIMATE SUB-PARAGRAPH, LAST LINE AFTER "COMPOSITION"
INSERT "IN 1971"

PAGE 1: READ "SUMMARY OF TRENDS IN 1972 (BEGIN UNDERLINE)
AND PROSPECTS" (END UNDERLINE)

PAGE 1, PARAGRAPH 1:

3RD LINE AFTER \$8.6 BILLION, INSERT REFERENCE TO FOOTNOTE (4)
PAGE 1

ADD FOLLOWING FOOTNOTE:
"(4) IN CURRENT DOLLARS"

PAGE 3

DELETE PARAGRAPH 7 AND REPLACE BY FOLLOWING TWO PARAGRAPHS:

"7. THE (BEGIN UNDERLINE) PROSPECTS (END UNDERLINE) FOR EAST/WEST TRADE WHICH SHOWED A RAPID GROWTH IN 1972 ARE VERY PROMISING. FROM VARIOUS INDICATIONS IT IS POSSIBLE TO ASSUME THAT THIS GROWTH IN EAST/WEST TRADE WILL CONTINUE IN THE NEXT FIVE OR TEN YEARS. FOR INSTANCE, SOVIET ORDERS FOR WESTERN MACHINERY AND EQUIPMENT IN 1972 ALONE HAVE BEEN ESTIMATED AT A RECORD OF ALMOST \$2 BILLION (\$1.5 BILLION IN NATO COUNTRIES) AND IN THE FIRST ELEVEN MONTHS OF 1973 EXCEEDED \$2 BILLION (\$1.8 BILLION IN NATO). AS FOR THE ORDERS OF EAST EUROPEAN COUNTRIES IN NATO
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NATIONAS, THESE MIGHT HAVE TOTALLED APPROXIMATELY \$500-\$600 MILLION IN 1972 AND ABOUT \$400 MILLION IN THE FIRST ELEVEN MONTHS OF 1973.

8. THE DELIVERIES OF THE MACHINERY AND EQUIPMENT PURCHASED BY EASTERN COUNTRIES IN 1972 AND 1973 WILL BE SPREAD OUT OVER THE NEXT FEW YEARS. IN ADDITION TO THE ORDERS ALREADY FINALIZED THE PRESENT NEGOTIATIONS BETWEEN WESTERN FIRMS AND THE SOVIET AUTHORITIES RELATING TO THE EXPLOITATIONS OF SOVIET NATURAL RESOURCES (NATURAL GAS, OIL, STEEL, VARIOUS ORES AND FERTILIZERS) WHICH SEEM TO REQUIRE MULTI-BILLION DOLLAR INVESTMENTS WOULD SUGGEST THAT THE GROWTH IN EAST/WEST TRADE MIGHT BE RAPID. SINCE THE EXPLOITATION OF SOVIET NATURAL RESOURCES AND RAW

MATERIALS WOULD RESULT IN INCREASED EXPORTS OF CAPITAL GOODS BY WESTERN COUNTRIES DURING THE INITIAL PHASE AND WOULD ONLY LATER LEAD TO INCREASED IMPORTS FROM EASTERN COUNTRIES, THE EXCESS OF WESTERN EXPORTS OVER THEIR IMPORTS FROM THESE COUNTRIES WILL NEED TO BE COVERED BY CREDITS. INDEED, IT SEEMS THAT RAPID GROWTH IN EAST/WEST TRADE WILL RESULT LARGELY FROM INCREASED EXPORTS OF INDUSTRIALIZED NON-COMMUNIST COUNTRIES WHICH IS UNLIKELY TO BE MATCHED BY THE RISE IN THEIR IMPORTS FROM EASTERN COUNTRIES. THE WIDENING OF THE TRADE DEFICIT OF EASTERN COUNTRIES WILL NO DOUBT BE ACCOMPANIED BY A PARALLEL INCREASE IN THEIR INDEBTEDNESS VIS-A-VIS THE WEST AND POSE CERTAIN PROBLEMS OF REPAYMENTS FOR CERTAIN SMALLER EAST EUROPEAN COUNTRIES. THE SURGE IN THE INDEBTEDNESS OF EASTERN COUNTRIES MIGHT WELL BE CONSIDERABLE ESPECIALLY IF, IN ADDITION TO EASTERN EUROPE, THE GRAIN, MACHINERY AND TECHNOLOGY REQUIREMENTS OF CHINA ARE ALSO TAKEN INTO ACCOUNT. IN 1973, THE UNITED STATES EXPORTS TO CHINA CONSISTING LARGELY OF WHEAT, CORN, SOYBEANS AND COTTON ARE EXPECTED TO RISE TENFOLD TO \$840 MILLION AGAINST \$60 MILLION WORTH OF IMPORTS. CHINA MIGHT WELL CONTINUE TO BE A LARGE WHEAT IMPORTING COUNTRY IN FUTURE. FOR INSTANCE, A WHEAT DEAL WORTH AT CURRENT PRICES UP TO \$1 BILLION BETWEEN CHINA AND CANADA WAS REPORTED TO HAVE TAKEN PLACE IN LATE 1973. THE SHIPMENTS WILL BE SPREAD OVER A THREE-YEAR PERIOD BEGINNING IN JANUARY 1974. CHINA HAS ALSO MADE A DEAL WITH AUSTRALIA FOR WHEAT DELIVERIES OF 4.7 MILLION TONS WORTH AT CURRENT PRICES POUNDS 600 MILLION."

END TEXT. RUMSFELD

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<< END OF DOCUMENT >>

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